



INTERNAL AUDIT DIVISION

REPORT 2016/007

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Overall results relating to the effective management of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 February 2016
Assignment No. AP2015/640/01

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AUDIT REPORT

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire (UNOCI).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNOCI Procurement Section is responsible for the local procurement of goods and services for the Mission and is governed by the United Nations Financial Regulations and Rules and the Procurement Manual. The Procurement Section is headed by a Chief Procurement Officer at the P-4 level who reports to the Chief of Administrative Services and is supported by eight national staff, six international staff, two United Nations volunteers, and one individual contractor. From 1 July 2013 to 31 March 2015, UNOCI processed 567 purchase orders valued at \$110.8 million. The total staff and operational budget for the Procurement Section for the fiscal year 2014/15 was about \$980,000.
4. Comments provided by UNOCI are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNOCI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNOCI**.
6. The audit was included in the 2015 risk-based work plan of OIOS because of the financial and operational risks related to the local procurement of goods and services in UNOCI.
7. The key control tested for this audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of local procurement of goods and services in UNOCI; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted the audit from June to October 2015. The audit covered the period from 1 July 2013 to 31 March 2015 and included reviews of: (a) 89 purchase orders valued at \$89.4 million; and (b) 36 of 175 solicitation case files for goods and services valued at \$13.2 million and \$20.3 million, respectively.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through

interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. The UNOCI governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of local procurement of good and services in UNOCI**. OIOS made six recommendations to address issues identified. UNOCI effectively monitored its acquisition plans to ensure that procurement costs were within budget. However, UNOCI needed to: (a) broaden its sourcing lists to invite registered and potential vendors with capacity to provide the required goods and services; (b) ensure that contract awards are adequately supported; (c) prepare vendor performance evaluations in a timely manner; (d) maintain complete procurement case files and establish a mandatory electronic documents filing requirement for the Umoja Supplier Relationship Management module; and (e) analyze the Umoja Business Intelligence lead-time report on a regular basis to ensure that goods and services are received in a timely manner.

12. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of four important recommendations remain in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of local procurement of goods and services in UNOCI	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

Acquisition plans were developed and effectively monitored

13. The Procurement Manual requires requisitioners to prepare and submit their acquisition plans to the Procurement Section, generally no later than six months before the goods, services or works are required.

14. A review of the acquisition plans for fiscal years 2013/14 and 2014/15 indicated that all 10 requisitioning cost centres submitted their detailed acquisition plans to the Procurement Section in a timely manner. The Procurement Section and requisitioning cost centres reviewed and updated the

¹ A rating of “partially satisfactory” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review

acquisition plans every quarter to ensure a timely procurement process. OIOS concluded that UNOCI implemented adequate controls over the preparation and monitoring of acquisition plans.

Solicitation documents were issued to vendors not registered for the required goods and services

15. The Procurement Manual requires vendors to be registered on the United Nations Global Marketplace and define their product categories to participate in the procurement process for the goods and services for which they are registered. The Manual requires procurement officers to ensure that the product or service categories match the vendors' capacity and expertise. The Manual also requires procurement officers to issue solicitation documents to vendors that are registered for the required goods, services or works, but can include vendors identified through requests for information or expression of interest.

16. A review of 36 procurement solicitation files valued at \$13.2 million indicated that 262 (or 46 per cent) of 565 vendors invited to participate in the bidding exercise were not registered to provide the required goods, services or works. For example, the Procurement Section invited nine vendors registered with no defined or unrelated product or service categories to bid for the supply of medical items, electrical items, office equipment, stationery, tactical security uniforms, timber and spare parts for a water cooler fountain. The Procurement Section repeatedly invited a core group of seven select vendors to participate in 9 (25 per cent) or more of the 36 solicitations, regardless of whether they were registered to provide the required goods or services.

17. The above resulted because procurement officers sometimes identified potential vendors through requests for information or expression of interest and did not consistently invite potential vendors registered on the United Nations Global Marketplace. Also, procurement officers did not pay adequate attention to ensure that invited vendors' products and services corresponded to solicitation requirements. This resulted in a low vendor response rate of 214 (or 38 per cent) of the 565 invited vendors, including 8 who indicated that they would not participate because the requirement was outside their product range or capacity. This impeded the transparency, competitiveness and best value for money objective of the procurement process.

(1) UNOCI should take steps to ensure that procurement officers broaden their sourcing lists to include registered and potential vendors with the capacity and expertise to provide the required goods or services.

UNOCI accepted recommendation 1 and stated that on 25 January 2016, an instruction was issued to all procurement staff to include in the sourcing lists, potential vendors and vendors registered in the United Nations Global Marketplace under the specific product code. Based on the action taken by UNOCI and OIOS verification of subsequent solicitations, recommendation 1 has been closed.

The commercial evaluation of the inland transportation proposal was not fully justified

18. The Procurement Manual: (a) requires procurement officers or a commercial evaluation team to evaluate vendors' financial submissions and, with the technical evaluation results, determine the best value for money award; (b) recommends that evaluation committees allocate normal relative weights of 60 per cent and 40 per cent to technical and commercial evaluation criteria respectively, or justify the use of another weighting system; and (c) authorizes the Procurement Section to open financial proposals from non-compliant bidders on an exceptional basis to ensure that proposals from compliant bidders are reasonable and provide best value for money.

19. One of the 36 solicitation files reviewed was a request for proposal issued by UNOCI to 20 potential vendors for the provision of one or both components of a freight forwarding and inland transportation services contract estimated at \$8 million. The technical evaluation committee evaluated three of the seven vendors who responded as technically qualified: the existing vendor qualified for both inland transportation and freight forwarding; and the other two vendors qualified for one component each.

20. The Procurement Section, based on the results of the technical and commercial evaluations, awarded a two-year contract effective August 2014, with a not-to-exceed amount of \$8.9 million to the existing contractor, as its proposal was the lowest offer. The existing contractor, however, had a history of unsatisfactory performance. The audit also noted that UNOCI did not have adequate documentation to support the rationale, weights and assumptions used in the commercial evaluation process for the inland transportation proposals. For example, the commercial evaluation team applied incorrect rates to the two technically qualified vendor proposals for the deployment and return of equipment, and the daily hiring of cranes and forklifts, resulting in a higher not-to-exceed contract value. The technical evaluation team also allocated relative weights of 50 per cent each to the technical and commercial evaluation criteria but did not include any justification for not using the recommended weighting scale of 60:40. For inland transportation, the existing contractor was awarded the contract based on a 10-point commercial evaluation advantage, even though the losing bidder had a 3-point technical evaluation advantage.

21. The Procurement Division requested the Procurement Section to open the financial proposals from the four non-technically compliant vendors to establish pricing and best value for money benchmarks and to mitigate the risk of awarding a contract based on the commercial evaluation of only two submissions for each component. However, the Procurement Section did not use these bids to conduct any benchmarking or further cost comparison, citing complexity of the financial evaluation. The Procurement Section also noted that the costs proposed by the recommended vendor were reasonable compared to the costs charged by the same vendor under the then prevailing contract. Neither the Procurement Division nor the Headquarters Committee on Contracts sought further explanation from the Procurement Section.

22. OIOS was unable to obtain sufficient clarification on the decisions made in the procurement process as all responsible officers had been reassigned to other missions or resigned. The absence of adequate documentation to support the rationale and weights used in the evaluation process increased the risk that UNOCI did not obtain best value for money. Additionally, the contractor's performance continued to be unsatisfactory, and UNOCI did not take adequate measures to ensure effective monitoring of the contractor's performance as highlighted in paragraph 24.

(2) UNOCI should: (a) take action, including considering a new bidding exercise, to ensure the Mission obtains best value for money (cost and quality) for the provision of freight forwarding and inland transportation services; and (b) implement effective record-keeping procedures to support justifications and assumptions used in the procurement process.

UNOCI accepted recommendation 2 and stated that the current contract for freight forwarding and inland transportation services would end on 30 September 2016. UNOCI was considering the appropriateness of a contract extension subject to a market survey to verify the competitiveness of the contract rates or undertake a new bidding exercise, including the possibility of joint solicitation with the United Nations Country Team to obtain best value for money. Further, the Procurement Section implemented effective record-keeping procedures to ensure that all documents supporting justifications and assumptions used in the procurement process were centrally maintained. Recommendation 2 remains open pending receipt of evidence of: (a) actions taken to ensure best value for money for the provision of freight forwarding and inland transportation services; and (b) improved record-keeping to support justifications and assumptions used in procurement process.

Vendor performance reports were not regularly prepared

23. The Procurement Manual requires the Contract Management Unit to regularly monitor and manage vendors' contractual performance, and requisitioners and end-users to prepare vendor performance evaluation reports in a timely manner. The Manual also requires the Procurement Section to communicate contractual non-compliance or unsatisfactory performance of registered vendors to the Vendor Registration Officer to appropriately update the vendor register.

24. Requisitioners did not prepare vendor performance evaluation reports for 65 procurement cases valued at \$79.9 million out of the 89 cases reviewed. In one specific case, the Headquarters Committee on Contracts raised a concern regarding the need to implement measures to ensure satisfactory performance by a freight forwarding contractor, given a history of unsatisfactory performance. The requisitioner: (i) indicated that it would hold regular pre-task planning meetings; and (ii) had established key performance indicators to be evaluated and discussed with the vendor after each task. However, a review of the procedures implemented indicated that requisitioner was not systematically evaluating the vendor's performance. For example, the requisitioner only provided minutes of one performance meeting and one pre-task planning meeting although the vendor had performed about 185 tasks. There were also no monitoring reports for the key performance indicators.

25. The above resulted because of inadequate coordination between requisitioners/end-users, the Procurement Section and Contract Management Unit to collectively and consistently monitor, manage and report on vendors' contractual performance. Failure to document performance meetings and evaluate vendors' performance in a timely manner denied UNOCI the opportunity to take appropriate action against non-performing vendors.

(3) UNOCI should establish a coordination mechanism to ensure that requisitioners and/or end-users prepare vendor performance evaluation reports, and implement and document the results of established vendor performance management and monitoring procedures for future action.

UNOCI accepted recommendation 3 and stated that it was establishing a coordination mechanism through which self-accounting units supported by the Contract Management Unit prepared periodic vendor performance reports that documented the results of performance management and monitoring in compliance with the Procurement Manual. Recommendation 3 remains open pending receipt of evidence that a coordination mechanism has been established and vendor performance management and monitoring procedures are working effectively.

Procurement case file documentation was incomplete

26. The Procurement Manual outlines the minimum documentation that is required to be maintained in procurement case files and the Procurement Section maintains a mandatory documents checklist in the case files. Umoja procurement guidelines also require the Procurement Section to upload all technically qualified bids and input commercial bid details into the Umoja Supplier Relationship Management module.

27. A review of the 36 solicitation case files indicated that documentation was not always complete. For example: three solicitation files did not include correspondence from the five vendors who declined split awards; three files did not include source selection plans; and 22 files did not include letters of regret sent to unsuccessful bidders. Also, procurement officers did not always upload all technically qualified bids and input details of commercial bids in the Umoja Supplier Relationship Management module.

28. The above resulted because of inadequate attention to detail by procurement officers and ineffective supervisory review to ensure that procurement files were complete and up-to-date, and that changes associated with Umoja could be implemented. For example: (a) file upload size limitations in Umoja restricted the upload of electronic attachments; and (b) procurement officers could not use the system generated vendor response comparison table for commercial bids due to inbuilt system formatting issues. There was also inadequate guidance on mandatory Umoja case file documentation. Incomplete procurement case files resulted in inadequately supported procurement actions that could undermine the integrity, fairness and transparency of the procurement process.

(4) UNOCI should: (a) implement an effective mechanism to enforce the requirement to maintain up-to-date and complete procurement case files; and (b) establish mandatory electronic documents filing requirements for the Umoja Supplier Relationship Management module.

UNOCI accepted recommendation 4 and stated that in consultation with the United Nations Global Service Centre and other missions, it issued instructions to all procurement staff on 10 February 2016 to: (a) maintain up-to-date and complete procurement case files; and (b) file all contracts in the Umoja Supply Relationship Management module. The requirement to maintain up-to-date and complete procurement case files was also included in the performance work plans of all buyers and team leaders. Based on the action taken by UNOCI, recommendation 4 has been closed.

(5) UNOCI should escalate Umoja system challenges to the Umoja support team to improve filing of procurement case documents in Umoja.

UNOCI accepted recommendation 5 and stated that it had been escalating to the Umoja support team and the United Nations Global Service Centre the challenges related to the Umoja Supplier Relationship Management module. Recommendation 5 remains open pending receipt of evidence that Umoja issues related to: up-loading documents and using system generated vendor response comparison tables have been communicated to the Umoja support team for appropriate action.

Monitoring of procurement lead-time needs improvement

29. UNOCI standard operating procedure on the procurement process establishes an average timeline of 100 days to complete the procurement process.

30. A review of Umoja generated lead-time analysis for 44 purchase orders valued at \$48.5 million indicated that it took an average of 173 days to complete the procurement process. The delays which resulted due to inadequate monitoring of timelines by the Procurement Section increased the risk that goods and services would not be received when needed. For instance, the 44 purchase orders reviewed indicated an average delay of 73 days in the receipt of goods and services.

(6) UNOCI should analyze the lead-time report from Umoja Business Intelligence on a regular basis to ensure that goods and services are received in a timely manner.

UNOCI accepted recommendation 6 and stated that the Procurement Section previously captured lead times using an external tracking tool. In February 2016, UNOCI issued an instruction to all procurement staff to generate lead time reports from the Umoja Business Intelligence to monitor the procurement of goods and services. Recommendation 6 remains open pending receipt of evidence that the Procurement Section was regularly monitoring procurement timelines.

IV. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNOCI should take steps to ensure that procurement officers broaden their sourcing lists to include registered and potential vendors with the capacity and expertise to provide the required goods or services.	Important	C	Action taken	Implemented
2	UNOCI should: (a) take action, including considering a new bidding exercise, to ensure the Mission obtains best value for money (cost and quality) for the provision of freight forwarding and inland transportation services; and (b) implement effective record-keeping procedures to support justifications and assumptions used in the procurement process.	Important	O	Receipt of evidence that justifications and assumptions used in the current fleet forwarding and inland transportation contract rates have been verified to obtain best value for money.	31 December 2016
3	UNOCI should establish a coordination mechanism to ensure that requisitioners and/or end-users prepare vendor performance evaluation reports, and implement and document the results of established vendor performance management and monitoring procedures for future action.	Important	O	Receipt of evidence that the coordination mechanism has been established and that vendor performance management and monitoring procedures are working effectively.	30 June 2016
4	UNOCI should: (a) implement an effective mechanism to enforce the requirement to maintain up-to-date and complete procurement case files; and (b) establish mandatory electronic documents filing requirements for the Umoja Supplier Relationship Management module.	Important	C	Action taken	Implemented

² Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

³ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNOCI in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
5	UNOCI should escalate Umoja system challenges to the Umoja support team to improve filing of procurement case documents in Umoja.	Important	O	Receipt of evidence that Umoja issues related to: up-loading documents and using system generated vendor response comparison tables have been communicated to the Umoja support team for appropriate action. Action taken	February 2016
6	UNOCI should analyze the lead-time report from Umoja Business Intelligence on a regular basis to ensure that goods and services are received in a timely manner.	Important	O	Receipt of evidence that the Procurement Section was regularly monitoring procurement timelines.	February 2016

APPENDIX I

Management Response

Management Response

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOCI should take steps to ensure that procurement officers broaden their sourcing lists to include registered and potential vendors with the capacity and expertise to provide the required goods or services.	Important	Yes	UNOCI Procurement Section (Chief Procurement Officer)	Implemented	Since 2015, greater emphasis has been placed on including vendors registered in the United Nations Global Marketplace in sourcing lists. In this regard, an instruction has been issued to all UNOCI procurement staff. Examples of recent Source Selection Plans evidencing this are included in this fax.
2	UNOCI should: (a) take action, including considering a new bidding exercise, to ensure the Mission obtains best value for money (cost and quality) for the provision of freight forwarding and inland transportation services; and (b) implement effective record-keeping procedures to support justifications and assumptions used in the procurement process.	Important	Yes	UNOCI Procurement Section (Chief Procurement Officer)	a) 31 December 2016 b) Implemented	(a) The current contract for freight forwarding and inland transportation services is due to end on 30 September 2016. UNOCI Procurement Section is currently considering all possible options in conjunction with UNOCI Movement Control Section. These include the appropriateness of a contract extension, subject to a market survey, to verify competitiveness of current contract rates or undertaking a new bidding exercise, including the possibility of a joint solicitation with the United Nations Country Team, within the context of the eventual drawdown and liquidation of the Mission, with a view to ensuring that

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>the Mission obtains best value for money.</p> <p>(b) The OIOS recommendation was made on the basis of a case file for freight forwarding and inland transportation services in which the Excel spreadsheet used in May 2014 in support of the award recommendation could only be located in pdf format. UNOCI Procurement Section has since implemented effective record keeping procedures ensuring that all documents supporting justifications and assumptions used in the procurement process are saved centrally.</p>
3	UNOCI should establish a coordination mechanism to ensure that requisitioners and/or end-users prepare vendor performance evaluation reports, and implement and document the results of established vendor performance management and monitoring procedures for future action.	Important	Yes	Contract Management Unit (CMU)	30 June 2016	UNOCI is establishing a coordination mechanism through which UNOCI Self Accounting Units, supported by the UNOCI Contract Management Unit (CMU), prepare periodic vendor performance reports that document the results of vendor performance management and monitoring in compliance with the Procurement Manual.
4	UNOCI should: (a) implement an effective mechanism to enforce the requirement to maintain up-to-date and complete procurement case files; and (b) establish mandatory electronic documents	Important	Yes	UNOCI Procurement Section (Chief Procurement Officer)	Implemented	(a) The requirement to maintain up-to-date and complete procurement case files is embedded in the 2015/16 performance work plans of all buyers and team leaders in UNOCI

Management Response

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	filing requirements for the Umoja Supplier Relationship Management module.					Procurement Section. In addition, an instruction has been issued to all procurement staff as a reminder of the requirement to maintain up-to-date and complete procurement case files. (b) Following consultation with the United Nations Global Service Centre (UNGSC) and with other peacekeeping missions, it is considered best practice to upload contracts in the Umoja Supplier Relationship Management module. As Umoja is not an electronic procurement system and does not automatically generate and store solicitation documents, all other documents related to the procurement process are retained in a records management system external to Umoja. The instruction to UNOCI Procurement Section referred to in (a) above addresses the requirement to ensure that all contracts are filed in the Umoja Supplier Relationship Management (SRM) module.
5	UNOCI should escalate Umoja system challenges to the Umoja support team to improve filing of procurement case documents in Umoja.	Important	Yes	UNOCI Procurement Section (Chief Procurement Officer)	Implemented	UNOCI escalates Umoja system support challenges to the Umoja support team including challenges related to the filing of contracts in Umoja SRM.
6	UNOCI should analyze the lead-time report from Umoja Business Intelligence on a regular basis to ensure that goods and	Important	Yes	UNOCI Procurement Section (Chief	Implemented	UNOCI Procurement Section captures and regularly analyzes lead times using an internal Excel tracking

Management Response

Audit of local procurement in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	services are received in a timely manner.			Procurement Officer)		tool. Lead time reports are now also being generated from Umoja Business Intelligence. An instruction in support of this has been issued to all UNOCI procurement staff.